California Housing Finance Agency

A F F O R D A B L E   H O U S I N G

CONNECTIONS

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Theresa A. Parker, Executive Director

In This Issue:

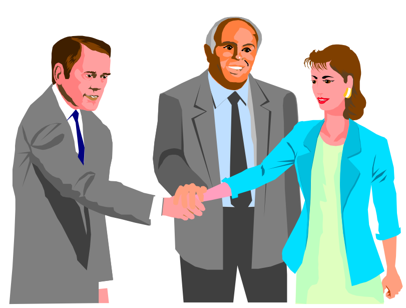
HELP !

help (help), *v*, 1. to contribute strength or means to; render assistance to; cooperate effectively with; aid; assist: *He planned to help me with my work*.

The CHFA Board of Directors approved the development of a new program starting in the current fiscal year that will provide $100 million to local government agencies over the next five years. The program provides financing for a broad spectrum of affordable single and multi-family housing units for which no other funding source is available. Consistent with the above definition, the new program is called HELP (Housing Enabled by Local Partnerships).

HELP is structured as a "loan-to-lender" program, providing a 3% simple interest rate loan for up to 10 years to local government agencies for locally-determined unmet affordable housing needs. Open to all cities and counties throughout the State, the locality applicants may submit proposals for up to $2 million of HELP funding, but will be limited to one approved proposal per each fiscal year.

The first competitive funding cycle, which was announced in January 1999, has successfully resulted in $10 million of commitments to eight jurisdictions. Six of the HELP recipients in this cycle have multifamily housing components to their proposals. Of these, the Housing Authority of the City of San Luis Obispo and the City of California City have designated their funds for new construction. The Sacramento Housing and Redevelopment Agency, City of San Jose, Pasadena Community Development Commission, and City of San Buenaventura (Ventura) will utilize the funds for rental rehabilitation.



The second cycle of funding for this fiscal year was announced April 14, 1999. Applications for the available $10 million to be allocated in this cycle must be received by June 11, 1999. Interested parties may contact Doug Smoot, HELP Program Manager, at (916) 322-1325 to receive a copy of the announcement or for additional information. You may also check the HELP item on the enclosed business reply card.

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EQUAL HOUSING OPPORTUNITY

DIRECTOR CONNECTION

I hope you will find the articles in this issue of ***CONNECTIONS*** useful and informative, and most of all, action provoking!

Since CHFA was created there have been calls for the Agency to work more closely with localities in providing housing finance resources. We have long recognized that by working together, not only with the localities, but with the federal government and the private sector, we can accomplish more on behalf of those who need affordable housing. With a myriad of financing programs "on the street" we know that many niches are being filled. However, we also know from working with the localities, that they have many needs for which there are no established financing vehicles. Given this challenge, our Board of Directors approved as part of our Business Plan a new $20 million per year program to address the affordable housing needs identified by the localities that they would like to meet, but lack funding sources to get the job done. This has resulted in the creation of the HELP Program. And, after the response to our first invitation to the localities to submit their proposals, and our subsequent commitment to fund projects in eight localities, we are very excited about the possibilities this offers for developing strong working relationships with local government in the future.

In this issue, you will also read all about what Proposition 1A, which the voters passed last November, means for multifamily developers, or more accurately, the tenants who will find affordable units that result.

And finally, our ability to provide affordable housing financing resources is really only limited by our ability to sell tax-exempt bonds. With demand for these resources at roughly four times the available funding, the need is even more critical that we increase not only the private-activity bond cap, but also the Low Income Housing Tax Credit cap as well. Please take a minute to read the articles on the bills that are now before Congress to correct this situation. With your help we can complete the work which began almost three years ago. We need you to respond to these articles **NOW** and hope that you will answer the call.

LEGISLATIVE ALERT -- THE BOND CAP INCREASE. . . LET'S FINISH THE JOB

Last year, we asked for your help in obtaining cosponsors of H.R. 979 to increase the Annual private-activity bond Cap from $50 to $75 per capita. With every issue of ***CONNECTIONS*** we published a list of members of Congress who had not yet signed on. Many of you responded to our requests and sent us copies of the letters you wrote. Through your responsiveness and that of those in the broad community and business based coalition we created, we ended up with 85% of the California delegation as cosponsors. And in the full Congress, with 2/3rds of the members on board, the bill had the highest number of cosponsors of any tax measure which made its way through the 105th Congress. As a result we achieved a partial victory of sorts. Chairman Archer did not ignore the depth and breadth of support for the bill and included a delayed version of H.R. 979 in the final tax bill for the year. You might say we got half a loaf. Under the bill, the bond cap increases $5 each year beginning in 2003 with the full increase realized in 2007. For many states, this might be an acceptable compromise, but for California, with roughly four times the demand for every tax-exempt bonding authority dollar, it simply does not work. We need it **NOW**. Fortunately, a new bill was introduced last month in both houses of Congress to accelerate this increase to the full $75 in 2000. The new bill in the House is H.R. 864 by Representatives Houghton (R-NY) and Neal (D-MA), and the Senate bill is S. 459 by Senators Hatch (R-UT) and Breaux (D-LA). To make sure that this bill is included in House Ways and Means Committee Chairman Archer's Tax bill mark-up, we **MUST** equal or exceed the number of cosponsors we had last year. Chairman Archer in a March 3rd article in *The Bond Buyer* headlined "Archer Supports Plan to Increase Private-Activity Caps Next Year," said he wants to accelerate the increase in the private-activity bond cap that was approved last year. "I would hope we could put back in place what I had in my bill last year which didn't get through the Senate," Archer said. "We have given a lot of thought to the private-activity bond cap." In his recent speech to the National Council of State Housing Agencies Archer said, "I am determined to see that our tax code puts the least possible burden on housing, and gives incentives to decent affordable housing." He continued, "I am committed to see that [the bond cap] is raised." Adding, "We should give [the housing industry] every opportunity to use tax-exempt bonds." CHFA recently carried this message to all the members of the California Congressional delegation who had not yet cosponsored this bill and the message resonated well -- for we added four members who were not on the bill last year. We now have 48 out of the 54 members on board as cosponsors, but given the affordable housing crisis which is looming in California, we need to finish our job by sending a clear message that California is united in the need for the bond cap increase, so our goal this year is to achieve nothing less than 100% of the California delegation as cosponsors. To meet this goal, we are going to need your help once again. If you know or are a constituent of any of the members of Congress listed below who have not yet signed on as cosponsors, you need to call or write them **TODAY.**

Cox (R)	Ose (R)
Royce (R)	Rohrabacher (R)
Stark (D)	Waters (D)*

LEGISLATIVE ALERT -- Housing Credit Increase

Last year we also asked for your help in obtaining cosponsors of H.R. 2990 to increase the Low Income Housing Tax Credit from $1.25 to $1.75 per capita. While our primary efforts were directed at getting an increase in the private-activity bond cap, we also wanted to see the tax credit increased. Because the President was supportive of it then (as the Administration is again this year), we felt it did not have as big an uphill battle as did the bond cap increase. As it turned out the bond cap increase ended up with more support and a modicum of success, whereas, the tax credit did not.

Because it is so difficult for affordable rental housing deals to "pencil out" without tax credits, we are once again asking for your help. The demand for tax credits has been as high as six times the available tax credits. Like the bond cap, we need the tax credit increase NOW! Toward this end, a new bill was introduced in the House of Representatives in January to increase the housing tax credits to $1.75 per capita in 2000. The new bill is H.R. 175 by Representatives Johnson (R-CN) and Rangel (D-MI). The Senate version is S. 1017 by Senators Mack (R-FL) and Graham (D-FL) (both Senators Feinstein and Boxer (CA) have cosponsored this bill).

Our goal this year is to have nothing less than 100% of the California delegation as cosponsors. As we go to press, we are pleased to announce that our efforts to date have resulted in getting cosponsors this year that we did not have last year, proving that anything is possible and good things can happen if only you ask. But the job is far from finished. To finish the job, we are going to need your help once again. If you know or are a constituent of any of the members of Congress listed below who have not yet signed on as cosponsors, please call or write to them **TODAY**.

Cox (R)	Herger (R)
Ose (R)	Rohrabacher (R)
Royce (R)	Waters (D)*

If you have any questions or need additional information, please contact Bill Cranham, Director of Federal Legislation, at (916) 322-0249 or (310) 342-1250.

Thank you in advance for your assistance.

***cosponsor last year**

SPECIAL NEEDS

FLYERS

NOW AVAILABLE

CHFA's Special Needs Program guidelines are now spelled out in a new flyer insert for the ***Opening the Door to Financing Affordable Rental Housing*** *multifamily brochure. If you would like to receive a copy of these new guidelines, please check the appropriate box on the enclosed business reply card.*

SCHOOL FEES TO BE REBATED

In November 1998, the voters of California passed Proposition 1A to increase funding for the construction and rehabilitation of school facilities. In anticipation of the passage of Prop 1A, the State Legislature enacted SB 50 (which would take effect only if Prop 1A passed) to provide a rebate or reimbursement of all or a portion of the school facilities fees paid at the time of taking out the building permit. For single family, the rebate is in the form of down payment assistance. Here is what Proposition 1A/SB 50 does for multifamily:

PROGRAM DESCRIPTION

The School Facilities Fees Rental Assistance Program (SFFRAP) provides reimbursement of school facility fees paid by the sponsor or developer of rental housing developments. In return for the reimbursement, the developer will agree to restrict rents and occupancy of a portion of the units to very-low income households for a period of 55 years.

The SFFRAP will be funded through CHFA by the Department of General Services with $13 million per year (less costs of administering the program) for four years, beginning January 1, 1999. Approved school facility fee reimbursements will be made on a first come first served basis.

ELIGIBILITY REQUIREMENTS

- The rental housing development must be located within the State of California; and,
- The building permit for the rental housing development must have been issued on or after January 1, 1999; and,
- The rental housing development costs must include School Facility Fees paid pursuant to Proposition 1A/SB 50 and paid prior to, or concurrent with permanent loan funding; and,
- The Applicant agrees to the recordation of a Regulatory Agreement restricting occupancy in dedicated units to eligible tenants for a period of 55 years.

B

Name of Project/Sponsor	# of Units	Ty
THE ARC ARC OF SAN FRANCISCO SAN FRANCISCO SAN FRANCISCO COUNTY NEW CONSTRUCTION	9	S
BREEZEWOOD VILLAGE HOUSING CORPORATION OF AMERICA LA MIRADA LOS ANGELES COUNTY NEW CONSTRUCTION	122	
CHELSEA GARDENS I & II BRIDGE HOUSING CORP SANTA ROSA SONOMA COUNTY PRESERVATION ACQUISITION/REHAB	120	
HILLSIDE TERRACE APARTMENTS HUMAN INVESTMENT PROJECT DALY CITY SAN MATEO COUNTY ACQUISITION/REHAB	18	I
MONTEBELLO SENIOR VILLAS TELACU MONTEBELLO LOS ANGELES COUNTY NEW CONSTRUCTION	160	
PARKLAND FARMS APARTMENTS BURBANK HOUSING DEVELOPMENT CORPORATION HEALDSBURG SONOMA COUNTY NEW CONSTRUCTION	51	I

OARD CONNECTION . . . RECENT BOARD ACTION

ype	Loan Amount	LIHTC	Locality Loans/Grants	Other Loans/ Subsidies	COMMENTS
SPN	$1,065,000 (5.90% subsidized to 1% 30 Years) $550,000 Bridge (5.9% subsidized to 1% 5 Years) Agency subsidies equal $556,615	4%	$837,626 SF Mayor's Office of Housing (0% 40 Years*)	$144,000 AHP FHLB (0% 30 Years*) *residual receipts	In-fill site City -- providing 0% construction loan of $1,397,000. Facility will have 25 beds for developmentally disabled adults. 2,680 sq. ft. retail space on ground floor for day care center for developmentally disabled seniors.
S	$5,250,000 (6.05% 35 Years) $2,300,000 HAT Bridge Loan (6.05% 1 Year)	4%	$5,913,194 (3% simple interest, *residual receipts 35 years)	LaMirada Redevelopment Agency	Demolition of existing units on site will trigger $900,000 in relocation expenses for about 55 households.
F	$4,455,000 (5.90% 30 Years) $450,000 HAT (3% 30 Years with 4 years deferred payment. P & I to be paid down beginning 5th year until paid in full)	4%		$150,000 Colwell Foundation (8% 30 Years)	Preservation of existing Section 8 contracts.
F	$1,075,000 (5.90% 30 Years)	4%	$754,000 City of Daly City HOME/CBDG (0% 40 Years*) *residual receipts		
S	$4,000,000 (5.90% 30 Years) $680,000 T/C	none	$9,547,780 City of Montebello RDA (3% 30 Years*) *residual receipts,		100% affordable project with rents at 50% of median income.
F	$3,000,000 (6.05% 35 Years) $1,070,000 T/C Bridge Loan (6.05% 5 Years)	4%	$1,055,335 Healdsburg RDA (3% 37 Years*) $275,000 Home Funds (6% 37 Years*) $260,000 AHP (0% 35 Years*) $140,000 CBDG 98/99 (3% 35 Years*) *residual receipts, simple interest		Site currently owned by Healdsburg Redevelopment Agency. Sales price is $1.00 in exchange for 20% of units set aside for very low income families.

DEDICATED UNITS

The units designated for occupancy by low income tenants are referred to as the "Dedicated Units". The number of Dedicated Units shall be determined by dividing the total School Facility Fees by the average per-unit Total Construction Cost (rounded up to the nearest whole number).

Example: Total School Facility Fees of $200,000 divided by average per-unit construction costs of $92,600 would equal 2.16 units. Rounding up results in a requirement of three Dedicated Units.

(Cont.d on page 6)

MARK-TO-MARKET "M2M" UPDATE

HUD has promulgated program regulations, and Portfolio Restructuring Agreements (PRAs) have been drafted that will enable selected Participating Administrative Entities (PAEs), such as CHFA, to enter into formal contracts with HUD to carry out the Mark-to-Market "M2M" Program. Negotiations are beginning between HUD and individual states so that implementation can occur over the next few months.

JOB OPPORTUNITY:

CHFA is looking for experienced professional staff for the M2M Program. Call 916-327-5172 to receive a complete job description and application package.

M2M is one of two preservation housing efforts in which CHFA is involved, providing for the financial restructuring of affordable housing projects that have expiring Section 8 subsidy contracts exceeding current market rents. In California this is estimated to be no more than 25% of HUD's Section 8 portfolio.

CHFA's other preservation effort is focused on preserving as much of the remainder of that Section 8 portfolio as possible through acquisition financing or refinancing of projects with expiring contracts that are at or below current market rents.

If you have a project in mind that falls in either category, please give us a call (800-736-CHFA) or check PRESERVATION on the enclosed business reply card.

CORDOVA VILLAGE APARTMENTS

Cordova Village Apartments, completed in the fall of 1998, is a 40-unit family development located in the City of Chula Vista, San Diego County. The development consists of 16 two-bedroom flats in two buildings, 16 three-bedroom townhomes and 8 four-bedroom townhomes, grouped in six buildings. In addition to parking, there is a recreation building and tot lot. Cordova Village Apartments is a component of the City's Rancho del Rey Sectional Planning Area III in which the development of single family dwellings, as well as a retirement community of detached and attached housing is also proposed. The area plan also calls for a junior high school site, a neighborhood park, eight open space areas and major new transportation circulation routes.

Cordova Village is owned and operated by a limited partnership formed by the developer and managing General Partner, South Bay Community Services (SBCS), a 501(c)(3) nonprofit corporation that has served the South San Diego Bay community since 1971. The development of Cordova Village was very actively encouraged by the City of Chula Vista and the Redevelopment Agency because little or no affordable housing had been built for several years in Chula Vista. The developer was able to leverage a land grant of $960,000 from the City and loans totalling $988,200. In addition, tax credits of $1,265,991 were used to provide 100% affordability to tenants at 50% and 60% of median income. These affordable rental rates at Cordova Village have put the project in an extremely competitive position below the Chula Vista market rates. CHFA provided tax-exempt financing of $2,174,800 for 35 years at 6.75%.

Cordova Village is located at 1280 East J Street, Chula Vista, CA 91910.

PARKSIDE GLEN APARTMENTS

Parkside Glen is a 180-unit, newly-constructed complex, located on 8.34 acres in an area south of downtown San Jose, with one-, two- and three-bedroom units. The site plan clusters 26 buildings throughout the site around common recreational areas, laundry facilities, landscaped open space and on-site covered parking. A one-story recreation building contains offices, a community room with a computer center and kitchenette, a playroom for children, bathroom facilities and a shower for pool users. Outdoor recreation contains tot lots and a swimming pool. The northeastern portion of the site (about two-thirds of an acre) is proposed for dedication as a park.

The project was the combination of efforts -- with David E. Neale of Core Development in partnership with Related Companies of California as General Partners, and the establishment of a limited partnership with a wholly-owned subsidiary of Eden Housing, Inc., as managing General Partner.

With the recent expansion of 80,000 new jobs in Silicon Valley, the completion of these 180 family housing units in January 1999, has helped to meet an intense demand for affordable housing in the San Jose area. The developer leveraged the following resources: a loan of $4,036,419 from the City of San Jose with tax credits valued at the same amount, a deferred developer's fee of $592,240, and a permanent loan from CHFA of $14,200,000 for 30 years at 6.75%. The result is affordable rents for tenants at 50% and 60% of median income, with rental rates substantially below competitive market rental rates in the area.

Parkside Glen is located at 800-862 Hillsdale Avenue (at Pearl Avenue), San Jose, CA 95136.

LARK ELLEN APARTMENTS

Lark Ellen Apartments, completed in the fall of 1998, is a 122-unit family/senior apartment complex located in West Covina, an established suburb in the easterly part of Los Angeles County. The completion of Lark Ellen has filled a huge demand for rent-restricted units in this area of the county. The project has 68 one-bedroom units, 25 two-bedroom units and 24 three-bedroom units and is designed in a two-story townhouse format oriented around open spaces and recreational opportunities. The large family units are grouped in fourplexes or fiveplexes to provide a better sense of neighborhood. The architectural style is traditional stucco and wood siding with pitched shingled roofs.

Recreational facilities include a basketball court, picnic and barbecue area, and at least two play lots for children of different ages. There is also a community building containing a manager's unit, recreation room, kitchen, bathrooms and a child care area. The one-bedroom units intended for seniors and the disabled are largely concentrated within one elevator-served building located on the northern side of the site. It has a separate community/arts & crafts space, office, lounge area and outdoor gardens with patio furniture and barbecue areas, all of which are separated from the family portion of the development.

The site previously had a poorly designed and constructed mid-rise apartment building that was completely out of character for the community and which stood vacant for many years. The West Covina Redevelopment Agency purchased the site for this development for $2,350,000, and selected Thomas Safran and Associates to develop the project. Thomas Safran and Associates was able to utilize a total participation by the West Covina Redevelopment Agency of $4,270,000, a grant from First Republic Savings Bank, and tax credits of $3,476,203 to provide affordable rents for tenants at 50% and 60% of median income. CHFA provided tax-exempt financing in the form of a first loan of $5,600,000 for 40 years at 6.75%, with a one-year bridge loan of $130,000 at 6.75%. A limited partnership was formed with Housing Corporation of America, a nonprofit corporation as managing General Partner, Thomas Safran & Associates as General Partner, and Edison Capitol as a limited partner.

Lark Ellen is located at 1350 E. San Bernardino Road, West Covina, CA 91791.

(School Facilities Fees...cont.'d from page 6.)

The units that may be selected by the Applicant as Dedicated Units must be a proportionate share of the unit mix in the entire development AND must be either market-rate units, or if there are no market-rate units, the least subsidized units having the highest rents.

Example: Assume you have a 100-unit project that has a unit mix of 1-, 2-, 3-, & 4-bedroom units, and three units would be dedicated under this program. Commencing with the units having the highest rents, you would dedicate one 4-bedroom unit, one 3-bedroom unit, and either a one 1- or 2-bedroom unit. The specifically Dedicated Units would have to be market-rate units (if available) or other rent-restricted units having the highest allowable income.

SUBMISSION REQUIREMENTS

Application for funds under the SFFRAP will be accepted on a first come first served basis. In order to obtain a reservation of funds for the reimbursement of eligible School Facility Fees the Applicant must submit a completed application with all required attachments. Incomplete applications will be returned to the applicant. An outline of the application requirements can be found on the CHFA website (www.chfa.ca.gov).

Upon acceptance by the Agency of a completed SFFRAP application, a reservation of funds can be issued. Assuming funding availability, CHFA will verify the required number of Dedicated Units; confirm the units to be rent-restricted; and provide the Applicant with a Fee Reimbursement Commitment Letter which outlines the terms of the Commitment and provides a sample of the Regulatory Agreement. NOTE: Once all available SFFRAP funds have been committed in any given year, subsequent applications shall be issued a reservation number, date stamped and kept by CHFA until future SFFRAP funds become available.

Eligible fee reimbursements will be disbursed through escrow, concurrent with the funding of the permanent first mortgage and recordation of a SFFRAP Regulatory Agreement.

Questions regarding the School Facility Fees Rental Assistance Program should be directed to CHFA's Multifamily Lending Division, 1121 L Street, Suite 207, Sacramento, CA 95814, or call (800) 736-CHFA or (916) 327-5170.

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